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A plan for standardization of the requirements...

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[1920]

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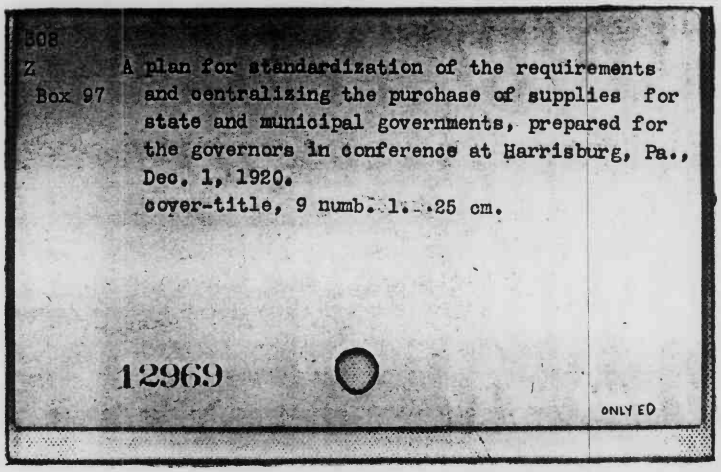
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A plan for standardization of the requirements and centralizing the purchase of supplies for state and municipal governments, prepared for the governors in conference at Harrisburg, Pa., Dec. 1, 1920.
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A PLAN———

for Standardization of the Requirements and Centralizing the Purchase of Supplies for State and Municipal Governments.

PREPARED FOR THE GOVERNORS
IN CONFERENCE
AT HARRISBURG, PA.
DEC. 1, 1920

Cls Dec 29, 1922

SPONSORING COMMITTEE

for the

Plan for Standardizing the Requirements and Centralizing the Purchase of Supplies for Municipal and State Governments.

MAJOR-GENERAL GEORGE W. GOETHALS, Builder of the Panama Canal and Quartermaster-General of the United States Army during the war with Germany.

MR. JOHN T. PRATT, Chairman of the National Budget Committee.

MR. LIVINGSTON FARRAND, Chairman Federal Committee of the American Red Cross.

WILLIAM FELLOWES MORGAN, President, Merchants Association of New York.

MR. WILLIAM CHURCH OSBORN, Publicist and Philanthropist, New York.

I

HALF a billion dollars is about the amount included in last year's budgets for the purchase of supplies by the forty-eight states and the thirty-six largest cities of the country. Millions of this vast sum are being wasted through the use of old-fashioned methods of procuring supplies. Much of this could be saved by the use of modern methods which are within the reach of any of the governments.

THE commodity needs of state and municipal governments are substantially the same, for they carry on closely similar activities. The greatest need for supplies is in what are known as the institutional departments. These departments conduct institutions in which the dependents of the community are housed, clothed and fed. The adoption of uniform standards of kind and quality would make combined purchasing possible for all departments of any one of the governments. The adoption of the same standards by all of the governments would make possible combined purchasing of the commodity requirements of all the governments possible. This would permit the placing of orders in large "mill-run" quantities, guarantee the quality of deliveries, and effect a great reduction in the cost.

IT is proposed to create an independent organization or agency to co-operate with state and municipal governments in securing uniform commodity standards. The aim would be to have the standards thus created adopted by all the governments. The proposed organization or agency would also aid the governments in installing supply-purchase and stores-control methods which would enable them to apply the principle of combined purchase to the needs of all their departments. The purpose would be to have these methods adapted from the most successful methods in use by the large commercial and industrial corporations of the country. Every effort would be made to have the supply-purchase and stores-control methods the same for all the governments.

THIS work would prepare the ground for combining the purchase of commodities required by all co-operating governments. The proposed organization or agency would contribute its greatest service in acting as a clearing house in combining and placing orders for the purchase of specific commodities in the quantities required by all co-operating governments.

CAPITAL would be required to establish such an organization. This capital can be obtained from private sources, upon an investment basis, because the business would be profitable. The proposed distribution of profits would make the agency self-supporting and insure its continued existence. Except for cost of operation and moderate interest on borrowed capital all the profits made by the organization would revert to the co-operating governments to be used in further developing their supply-purchase methods and such other features of the budgetary and fiscal systems as would result in substantial improvements and economies.

* * * *

II

THE tremendous demands made upon the United States Government during the late war with Germany demonstrated the inability of government methods to meet a great emergency. In no other particular was that failure more pronounced than in the procurement of supplies. The sweeping aside of red tape and circumscribed official activity, and the substitution of modern methods of doing business enabled the national government to meet the situation but only after serious delays and at a great unnecessary cost to the tax-payers.

PUBLIC dissatisfaction with existing governmental methods has found its first tangible expression through the efforts of the National Budget Committee —an organization not connected with the government in Washington—in the adoption of legislation by Congress providing for a national budget system. This same dissatisfaction will demand other changes. Experience during the war emergency has demonstrated that the same methods which have produced results for our large commercial and industrial corporations can be successfully adapted and applied to the business of governments.

AN outside agency organized for the purpose, by applying the principles of standardization and combined purchasing to the requirements of state and municipal governments, could bring about a great improvement in the supply-purchase methods of these governments and effect a very large saving to the tax-payer.

THE public has a right to expect that the cost of building roads and carrying on other public works be reduced to a minimum. It surely has a right to demand that there be no waste in the purchase of supplies required to house, clothe and feed the dependents of the community in hospitals, prisons, charitable

and other institutions conducted by the state and municipal governments. This can be successfully accomplished only through the creation of uniform standards and the application of the principle of combined purchase to the commodity requirements of the governments.

AN outside agency properly organized for the purpose could lead the way in bringing about this reform. It would proceed in a practical manner to secure the adoption, by as many governments as possible, of uniform quality standards for specific lines of commodities. It would at the same time co-operate with interested governments in developing and installing modern supply-purchase and stores-control systems, so as to make possible and profitable the application of uniform standards and combined purchasing to their commodity requirements.

THE agency would expect no favors or special treatment from any government in obtaining business. It would deal directly with government purchasing officials and would be compelled by law to secure all contracts under the system of competitive bidding. It would put up from its own capital funds the required deposits when contracts were entered into and would assume full contractual responsibility for making satisfactory deliveries.

IT would serve not only as a clearing house to all governments for information as to standardization and combined purchasing, but it would give material and financial help to co-operating governments.

ALL profits from the business of the agency left after deducting costs of operation and paying a six per cent dividend upon its capital stock, would be returned to co-operating governments to be held in trust and expended for the following specified purposes:

1. To applying the principles of standardization and combined purchasing to their requirements.

2. To securing the recognition by manufacturers and producers generally of such uniform commodity standards as might be adopted by them for use in the purchase of their needs.

3. To developing and installing supply-purchase and stores-control systems in which the principle of accurately anticipating future commodity needs is used to prevent over-purchasing and the accumulation of excessive stocks of commodities not required for immediate consumption or use.

4. To placing government-conducted industries, in which prisoners are employed, on a self-supporting basis so that they can pay wages commensurate with the work performed, to all able-bodied and mentally capable prisoner workmen.

5. To perfecting such other feature of budgetary and fiscal systems of governments as would result in substantial improvements and economies.

* * * *

III

STANDARDIZATION of commodity needs is not an experiment. It is one of the fundamentals to the successful operation of the greatest commercial and industrial corporations in the country. No effective supply-purchase system can be operated without it. It is an essential to the combined purchase of the requirements of all departments of any business, no matter how large. It is the first step necessary to do away with the waste, delays and duplication of purchasing machinery, which must exist where each department of the business does its own purchasing. It does away with the necessity of buying on small orders at high prices when large orders for the same commodities can be placed at low prices.

SOME state and municipal governments have made more or less successful attempts to standardize their requirements. Several have gone a step further and combined purchases for all departments. A few have secured satisfactory results. More have not been successful because of legal restrictions, or because they have failed to realize that standardization is only a means to an end. That end is the combining of purchase orders so as to take advantage of the low prices which can be secured on large orders, and the substitution for a dozen inefficient organizations one effective general supply purchasing bureau.

WHAT is needed is an outside agency equipped to lead the way and give direction and continuity of purpose to the efforts of governments. This agency could correllate the efforts of all, show them the simplest and most effective methods, and enable them to secure the maximum of results through the installation of uniform systems which would permit the extension of the principle of combining purchases to the needs of any number of governments.

A NATURAL result of the work on standardization of such a proposed agency would materially assist in the solution of one of the nation's greatest social and moral problems.

The average census of our penal institutions is 250,000. These figures tell their own story and indicate that there is growing up in our midst a steadily increasing class of dangerous criminals which is fast becoming a menace to the general community. Penologists who have made a careful study of conditions tell us that our prison system, instead of correcting, is responsible for increasing this class. To secure a maximum of results in any field of activity the average man requires a definite objective, strong incentives and above all systematic habits of industry. None of these is encouraged in even the best of our penal institutions. Instead, the system is repressive, precludes any definite objective and provides no adequate incentive to work. At present more than thirty per cent of the prison population is kept in idleness. The remainder work half-heartedly because there is no good reason why they should work.

State and municipal governments have charge of the penal institutions. Standardization of their commodity requirements is the logical first step towards the reorganization of prison industries. The placing of those industries upon a self-supporting wage-paying basis, with an intelligent use of the probation system and the indeterminate sentence, would supply the three essentials to the rehabilitation of prisoners which the system now lacks.

PROGRESS in the solution of the country's great prison problem has been arrested by the inability of governments to make prison industries produce an output large enough to provide the means of paying adequate wages to prisoner workmen. This defect will be overcome only when the prisoner is trained to turn out a marktable product and receives a wage commensurate with the work he performs. This can be accomplished by any government under what is known as the "state-use" system, by which the output of prison industries is sold to the state and municipal governments, to meet their supply requirements. The utili-

zation of the "state-use" market would make it unnecessary to dispose of the output of prison industries in the open market in direct competition to the product of free labor.

IT is the absence of uniform standards for the commodity requirements of state and municipal governments which has made it impossible to develop prison industries and enable them to turn out a satisfactory product which would be readily salable in the "state-use" market. The adoption of such standards would open up this market and make it possible for the industries to pay adequate wages and thereby stimulate capacity production.

IV

THE State of New York has the largest prison population of any State in the Union. Including its political sub-divisions, its commodity requirements are also the largest. The report of a committee appointed by Governor Smith to investigate the prison industries of the State, recently published, gives some important facts regarding the extent of the possible market for sale of prison-made goods to the State and its political sub-divisions. This possible market, the report states, is in excess of $20,000,000 annually for requirements of the State Government and the cities of New York and Buffalo alone. It also makes the statement that the sale of a gross output of $8,000,000 by the prison industries of the State would permit the payment of wages at the rate of $3.00 a day, to every able-bodied and mentally capable prisoner in the state penal institutions.

THE proposed organization, by co-operating with Governments conducting prison industries, could materially assist in reorganizing and developing those industries so that they would be able to take full advantage of the "state-use" market in disposing of their product. This would give a fresh impetus to the progress towards the solution of the country's great prison problem.

THIS is only one of the great public problems, the solution of which could be materially aided by the work of the proposed organization. It illustrates how closely related the work of improving the supply-purchase methods of state and municipal governments is to other great problems of administration which demand solution.

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